

INFORMATION REPORT

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SUBJECT Establishment of German Economic Commission
by SMA Order #32; Production Lags and Allot-
ments of Raw Materials in the Russian Zone

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1. The "catastrophic" conditions prevailing in all branches of eastern zonal industry caused the Economic Directorate of the SMA in Karlsruhe to request Marshal Sokolovsky to issue SMA Order 32 on the establishment and functions of the Economic Commission. On 13 February 1948 a meeting took place for the purpose of instructing the Economic Council, the Industrial Council, and their employees on proper procedure in connection with this order. K. I. Koval, chief of the Economic Directorate, acted as chairman. In attendance were Professor Romberg, SMA liaison officer to the German Administration for Industry; Colonel Shuk, chief of the administration of Soviet AGs; Major Shinkovich, director of the SMA industrial division in Thuringia; and top industrial and economic leaders. Koval announced that the German Economic Commission will give all state administrative directives on the political indoctrination of factory personnel and the punctual fulfillment of production orders. Measures will be taken to prevent political discussions in the factory which do not contribute to unity; workers failing to cooperate will be given special training. He remarked that Professor Hugo Hickmann, Dr. Wilhelm Kihn, and Walter Ulbricht had been proposed by the Economic Directorate as presidents of the Economic Commission, but was unable to say whether or not Sokolovsky had accepted the nominations. Professor Romberg will act as SMA liaison officer to the Economic Commission.

2. Koval spoke of the failure to fill production quotas, particularly in Saxony and Thuringia, and placed the responsibility for the lag upon Shinkovich*, who, in turn attributed it to the lack of political unity among factory employees; he stated that he would immediately begin a purge of the state administration. The results of this purge are already perceptible in numerous dismissals of government officials in Thuringia. Furthermore, small private factories in Saxony and Thuringia which did not meet their quotas are being closed on pretext of sabotage or of fascism among the workers; they will later become state-owned enterprises.

Comment: According to an earlier report, Shinkovich was accused of having given inaccurate information on the number of Soviet AGs and was called to Karlsruhe to account for this on 3 February 1948. At the time, it was thought that he would be relieved of his post in Thuringia and returned to Moscow.

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3. Koval said that as of 10 February 1948 the various industrial Kombinate had failed to meet their quotas by the following percentages:

Kombinat 2 (foundries)	12%
Kombinat 3 (machine construction)	10%
Kombinat 4 (vehicle construction)	2%
Kombinat 5 (metal goods)	3%
Kombinat 6 (electronics)	10%
Kombinat 7 (combustion motors)	20%
Kombinat 8 (textile factories)	30%
Kombinat 9 (chemicals?)	10%
Kombinat 10 (shipbuilding)	15%

This is by no means satisfactory, and only Kombinate 4, 5, and 11 to 13 (paper and cellulose, wood processing, and rubber and asbestos) will be provided with further grants of raw materials. The others must first fill their quotas; this is to be reported accomplished by 31 March 1948 at the latest.

Comment: During January 1948 the following lags in production were reported:

Kombinat 2	25%
Kombinat 3	18%
Kombinat 4	10%
Kombinat 5	8%
Kombinat 6	15%
Kombinat 7	35%
Kombinat 8	45%
Kombinat 10	25%

4. For the filling of reparations orders for civilian goods Koval made the following allotments of raw materials to the Soviet AGs for the year of 1948:

Iron and steel, including hard steels 350,000 tons
Metals 25,000 tons
Unrefined metals 30,000 tons

The following grants, intended to cover three quarters of the year's requirement, were made to the Soviet AGs for the filling of reparations orders related to armaments production:

Iron and steel, including semi-finished goods 200,000 tons
Metals, including non-ferrous metals 40,000 tons
Refined steel and tools 15,000 tons

For the first and second quarters of 1948 state-owned and private industries were allotted:

Iron and steel 600,000 tons
Refined and special steels 25,000 tons
Non-ferrous metals 120,000 tons

5. An order issued by Colonel Gromov, chief of the Industrial Council, specified that reparations orders for civilian goods and reparations orders for armaments must be handled separately; armament orders will be filled only in SAG plants. This order naturally occasions considerable difficulties since it necessitates the transfer and shifting of large quantities of raw materials and since some of the SAG plants do not possess the mechanical equipment requisite for the new type of production assigned them.

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